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C O N F I D E N T I A L AMMAN 003488

SIPDIS

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TAGS: [EPET](#) [ECON](#) [EFIN](#) [JO](#) [SA](#)

SUBJECT: FREE SAUDI OIL FOR ANOTHER YEAR! OR MAYBE NOT...

REF: AMMAN 3328

Classified By: Charge d'Affaires David Hale for reasons 1.5 (b) and (d)

[11](#). (C) SUMMARY: The GOJ announced yesterday that Saudi Arabia will provide Jordan with free oil for another year. Unfortunately, this public announcement may well endanger Jordan's informal accord with the publicity-shy Saudis. If the oil deal falls through, Jordan still faces a bleak budgetary picture, and its spokesperson can add another gaffe to a lengthening list. Related rumors of Kuwaiti and UAE financial commitments appear to remain uncertain. END SUMMARY.

[12](#). In a press conference held May 5, 2004, Minister of State and official GOJ spokesperson Asma Khader announced that Jordan has secured a commitment from Saudi Arabia to continue its grant of crude oil to Jordan, which had been planned to expire April 1, 2004, for another year. Jordanian press also reported that talks were under way to secure further grants to Jordan from Kuwait and the UAE.

[13](#). (C) Minister of Finance Mohammed Abu Hammour, in a May 6 meeting with Charge, confirmed that Muasher had been able to secure a verbal commitment from Crown Prince Abdullah that Saudi Arabia would continue to give the government of Jordan the equivalent of 50,000 barrels per day, approximately half its current consumption, for another year (the Jordanians would only have to pay the transportation costs). Abu Hammour stated, however, that the publicity-shy Saudis had all along expressed their strong preference that oil deals not be publicized. He worried that Khader's statement to the press might cause the Saudis to go back on their commitment, which in any case had never been put into writing. It also risked fueling a public mood of hostility toward recent austerity measures.

[14](#). (C) Abu Hammour noted that the prospect of a windfall had substantially increased pressure on him at the most recent Cabinet meeting to authorize further spending and soften revenue collection. Abu Hammour instead took the position that as oil prices are substantially higher than the projections on which the government's budget had been based, Jordan's budget would require extra revenue or spending cuts totaling JD 20 million (\$28 million) even with a Saudi grant (Reftel). Exemplary of the tone of the meeting was Minister of Planning Bassem Awadallah's suggestion that Jordan take this opportunity to eliminate the income tax; to which Abu Hammour retorted that as the Planning Ministry's budget was roughly the same size as income tax revenues, the two could be eliminated together.

[15](#). (C) Abu Hammour also passed on a cryptic statement by Prime Minister Faisal Al-Fayiz that the governments of Kuwait and the UAE are on the verge of making a JD 1 billion (\$1.4 billion) grant to Jordan over the next three years to cover the cost of Jordan's remaining oil import needs. (Jordan currently imports approximately 110,000 barrels of crude, or its equivalent in oil products, per day.) He felt that such a grant would be highly unlikely.

[16](#). (C) COMMENT: If the Saudis do in fact deliver on their verbal pledge to provide Jordan with free oil through April 2005, it will close most of the remaining hole in Jordan's FY 2004 budget. If the Saudis fail to come through, Jordan is in a bind. We share Abu Hammour's doubt that the supposed billion-dinar grant from Kuwait and UAE has substantial basis in fact, especially given Jordan's past difficulty in getting the two nations to honor the commitments they had made to subsidize oil purchases.

[17](#). (C) COMMENT (Cont.) Khader's endangerment of the Saudi-Jordanian verbal accord is the latest in a string of gaffes, which have included angering Parliamentarians by stating that parts of their salaries were paid by foreign grants and, within the past week, causing a small run on the Jordanian dinar by making an unprompted announcement that Jordan would continue to support the currency's peg to the dollar. END COMMENT.

HALE